

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

June 30, 2004

DRAFT COPY FOR REVIEW  
AND DISCUSSION  
PURPOSES ONLY



# TABLE OF CONTENTS

		<u>Page</u>
Officials		2
Independent Auditor's Report		3-4
Management's Discussion and Analysis (MD&A)		5-15
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	17
Statement of Activities	B	18-21
Governmental Fund Financial Statements:		
Balance Sheet	C	22
Reconciliation of the Balance Sheet -		
Governmental Funds to the Statement of Net Assets	D	23
Statement of Revenues, Expenditures and Changes in Fund Balances	E	24
Reconciliation of the Statement of Revenues, Expenditures And Changes		
in Fund Balances - Governmental Funds To the Statement of Activities	F	25
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	26
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	27
Statement of Cash Flows	I	28
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	29
Statement of Changes in Fiduciary Net Assets	K	30
Component Unit Financial Statements:		
Statement of Net Assets	L	31
Statement of Revenues, Expenses and Changes in Net Assets	M	32
Notes to Financial Statements		33-44
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in		
Balances - Budget and Actual (Cash Basis) - All Governmental Funds		
and Proprietary Funds		46-47
Budgetary Comparison Schedule - Budget to GAAP Reconciliation		48
Notes to Required Supplementary Information - Budgetary Reporting		49
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Special Revenue Funds:		
Combining Balance Sheet	1	51
Combining Schedule of Revenues, Expenditures and		
Changes in Fund Balances	2	52
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	53-54
Proprietary Funds:		
Combining Statement of Net Assets	4	55
Combining Statement of Revenues, Expenses and Changes		
in Net Assets	5	56
Combining Statement of Cash Flows	6	57
Agency Fund:		
Schedule of Changes in Fiduciary Assets and Liabilities	7	58
Schedule of Revenues by Source and Expenditures by Function -		
All Governmental Funds	8	59
Independent Auditor's Report on Compliance and on		
Internal Control over Financial Reporting		61-62
Schedule of Findings		63-65

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT

**OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
-------------	--------------	---------------------

**Board of Education**  
(Before September, 2003 Election)

Patricia Wright	President	2003
Stephen Moline	Vice President	2005
William Knoll	Board Member	2003
Timothy Hommer	Board Member	2004
John Jennett	Board Member	2004
Douglas Rothfus	Board Member	2004
Leann Goldsmith	Board Member	2005

**Board of Education**  
(After September, 2003 Election)

Patricia Wright	President	2006
Stephen Moline	Vice President	2005
Timothy Hommer	Board Member	2004
John Jennett	Board Member	2004
Douglas Rothfus	Board Member	2004
Leann Goldsmith	Board Member	2005
William Knoll	Board Member	2006

**School Officials**

Gary Sinclair	Superintendent	2004
Michelle Wearmouth	District Secretary/Treasurer and Business Manager	2004
Ralph Brown	Attorney	Indefinite
Ahler's Law Firm	Attorney	Indefinite



---

### Independent Auditor's Report

To the Board of Education  
Dallas Center-Grimes Community School District:

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Dallas Center-Grimes Community School District, Dallas Center-Grimes, Iowa, and its aggregate discretely presented component units as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Dallas Center-Grimes Community School District and its aggregate discretely presented component units as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 13 to the financial statements, during the year ended June 30, 2004, Dallas Center-Grimes Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 39, Determining Whether Certain Organizations Are Component Units; Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Governmental Auditing Standards, we have also issued our reports dated September 8, 2004, on our consideration of the Dallas Center-Grimes Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 5 through 15 and 46 through 49 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Dallas Center-Grimes Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003, (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Van Maanen & Associates, P.C.  
Certified Public Accountants

September 8, 2004

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Dallas Center - Grimes Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the district is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations. In many summary sections, management has added references to financial data and situations of some previous years to assist with understanding data in this transition year.

### **Financial Highlights**

- ◆ General Fund revenues increased from \$10,407,463 in fiscal 2003 to \$10,819,281 in fiscal 2004, while General Fund expenditures increased from \$9,833,165 in fiscal 2003 to \$10,374,700 in fiscal 2004. This resulted in an increase of \$444,851 in the District's General Fund balance from \$1,069,098 in fiscal 2003 to \$1,513,679 in fiscal 2004. This fund balance increase is the final year of the five-year financial workout plan implemented by the school board in January 1999 during budget preparations as a result of the FY99 negative ending fund balance of (\$663,182) for the General Fund. It should be noted that the financial goal of the five-year workout plan has been achieved.
- ◆ The increase in General Fund revenues was primarily attributable to an increase in property tax collected of \$151,380, an increase in open enrollment and special education tuition received from other school districts of \$105,201, and increased receipts of state aid and instructional support of \$60,145 attributable to increase student count and allowable growth.
- ◆ The increase in General Fund expenditures was primarily attributable to an increase in the negotiated salary and benefits. There were 4.13 teaching positions added due to increased student count which also affect the salary and benefit expenditures. Evidence of planned cuts in the supply budget due to a mid-year across-the-board budget reduction in state aid can be seen in the decrease of supplies purchased from \$632,836 in FY03 to \$614,271 in FY04.
- ◆ A decline in interest rates during the past three fiscal years has resulted in a decline in interest received annually despite a growing fund balance to be invested. Interest received in the general fund for the past three years is: \$100,379 in FY02, \$80,753 in FY03, and \$48,734 in FY04.

## Overview of the Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- ◆ The first two statements are *government-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- ◆ The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the Government-wide statements.
- ◆ The statements for *governmental funds* explain how basic services, such as regular and special education, were financed in the short term as well as what remains for future spending.
- ◆ The statements for *proprietary funds* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.
- ◆ The statements for *fiduciary funds* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Figure A-1 shows how the various parts of this report are arranged and relate to one another.

**Figure A-1**  
**Dallas Center-Grimes Community School District**  
**Annual Financial Report**

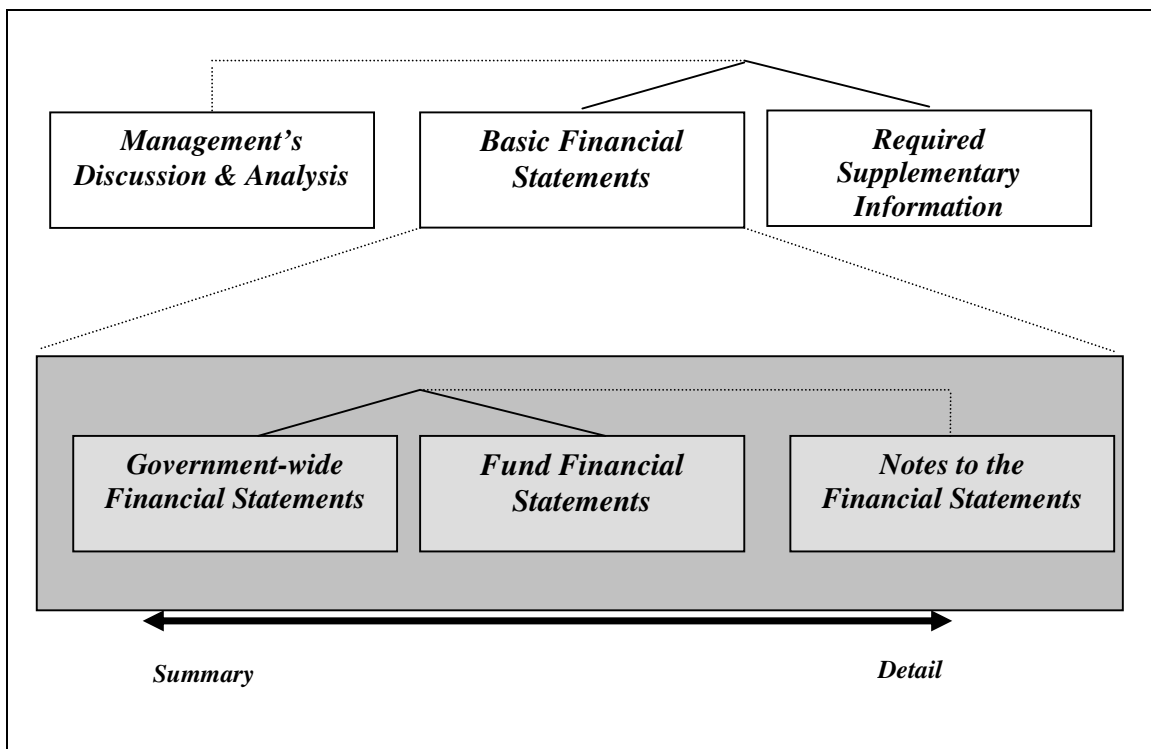




Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

**Figure A-2**

<b>Major Features of the Government-wide and Fund Financial Statements</b>				
	District-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as the special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	* Statement of net assets * Statement of activities	* Balance sheet * Statement of revenues, expenditures, and changes in fund balances	* Statement of revenues, expenses and changes in net assets * Statement of net assets * Statement of cash	* Statement of fiduciary net assets * Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year; or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## Government-wide Statements

The Government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two Government-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

Review of Dallas Center-Grimes Property Tax Valuations by Year			
Year	Taxable Valuation without TIF	Increase over previous year	Percent of increase
FY2001	\$ 270,537,874	\$ 34,145,130	12.62%
FY2002	337,471,923	66,934,049	19.83%
FY2003	354,464,375	16,992,452	4.79%
FY2004	361,420,196	6,955,821	1.96%

Dallas Center – Grimes Facilities – Age	
Dallas Center – Grimes Elementary, Grimes	Opened 8-1-1988
Dallas Center – Grimes Elementary, Dallas Center	Opened 1-1-2002
Dallas Center – Grimes Middle School, Dallas Center	Opened 8-1-2004
Dallas Center – Grimes High School, Grimes	Opened 8-1-2002

In the Government-wide financial statements, the District's activities are divided into two categories:

- ♦ *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- ♦ *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

## Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- ♦ Some funds are required by state law and by bond covenants.
- ♦ The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- ◆ Governmental funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.



The District's governmental funds include the General Fund, Debt Service Fund, Capital Projects Funds, and Special Revenue funds such as the Student Activity fund, Management fund, PPEL fund, and Schoolhouse fund.

- ◆ Proprietary Funds: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the Government-wide statements.



The District's enterprise funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District's enterprise funds include the School Nutrition Fund and the Farm Enterprise Fund.

- ◆ Fiduciary Funds: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-purpose Trust and Agency funds.



Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund. There are currently three scholarship trust funds: Burnett Scholarship, Brewer Scholarship, and Anderson Scholarship funds.



Agency Fund- These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases. The District has only one Agency fund which holds employee funds contributed by employees through payroll for use in the Medical and Dependent Care Flexible Spending Program.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations.

## (B) – (C) FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

**Net assets** – Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2004 compared to 2003.

Figure A-3 Condensed Statement of Net Assets (Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2004	2003	2004	2003	2004	2003	2003-2004
Current and other assets	\$ 14,082	18,319	\$ 109	65	\$ 14,191	18,384	-22.8%
Capital assets	25,772	21,255	185	206	25,957	21,461	20.9%
Total assets	<u>39,854</u>	<u>39,574</u>	<u>294</u>	<u>271</u>	<u>40,148</u>	<u>39,845</u>	<u>0.8%</u>
Long-term liabilities	19,686	20,570	-	-	19,686	20,570	-4.3%
Other liabilities	10,030	10,036	42	-	10,072	10,036	0.4%
Total liabilities	<u>29,716</u>	<u>30,606</u>	<u>42</u>	<u>-</u>	<u>29,758</u>	<u>30,606</u>	<u>-2.8%</u>
Net assets:							
Invested in capital assets, net of related debt	8,292	7,527	185	206	8,477	7,733	9.6%
Restricted	509	582	-	-	509	582	-12.5%
Unrestricted	<u>1,337</u>	<u>859</u>	<u>67</u>	<u>65</u>	<u>1,404</u>	<u>924</u>	<u>51.9%</u>
Total net assets	<u>\$ 10,138</u>	<u>8,968</u>	<u>\$ 252</u>	<u>271</u>	<u>\$ 10,390</u>	<u>9,239</u>	<u>12.5%</u>

The increase in capital assets in the governmental funds occurred in conjunction with the decrease in current or other assets as a result of expenditures of construction funds for the new middle school. Long-term liabilities decreased as a result of principal payments reducing bond liabilities.

Figure A-4 shows the change in net assets for the year ended June 30, 2004.

<b>Figure A-4</b> <b>Changes in Net Assets</b> <b>(Expressed in Thousands)</b>			
	Governmental Activities	Business type Activities	Total District
Revenues:			
Program revenues:			
Charges for service	\$ 813	479	1,292
Operating grants, contributions and restricted interest	1,003	132	1,135
Capital grants, contributions and restricted interest	-	-	-
General revenues:			
Property tax	6,195	-	6,195
Local option sales and service tax	1,057	-	1,057
Unrestricted state grants	4,681	-	4,681
Unrestricted investment earnings	131	-	131
Other	141	-	141
Total revenues	<u>14,021</u>	<u>611</u>	<u>14,632</u>
Program expenses:			
Governmental activities:			
Instruction	7,186	-	7,186
Support services	3,693	-	3,693
Non-instructional programs	-	630	630
Other expenses	1,972	-	1,972
Total expenses	<u>12,851</u>	<u>630</u>	<u>13,481</u>
Change in net assets	<u>\$ 1,170</u>	<u>(19)</u>	<u>1,151</u>




Property tax, sales and service tax, and unrestricted state grants account for 82% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 81% of the total expenses.

### Governmental Activities

Expenses for governmental activities were \$12,851,115 and revenues were \$14,020,483. In a budget year which received a mid-year 2.5% cut in state funding, the District was able to balance the budget by trimming expenses in supply and equipment budgets. Some expenditures were reallocated to new funding sources such as At-Risk funds or Instructional Support Levy funds.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

<b>Figure A-5</b> <b>Total and Net Cost of Governmental Activities</b> <b>(Expressed in Thousands)</b>		
	Total Cost of Services	Net Cost of Services
Instruction	\$ 7,186	5,796
Support services	3,693	3,673
Non-instructional programs	-	-
Other expenses	1,972	1,566
Totals	<u>\$ 12,851</u>	<u>11,035</u>

-  The cost financed by users of the District's programs was \$812,695.
-  Federal and state government subsidized certain programs with grants and contributions totaling \$1,002,752.
-  The net cost of governmental activities was financed with \$7,252,099 in property and other taxes and \$4,680,524 in unrestricted state grants.

### **Business Type Activities**

Revenues for business type activities were \$610,458 and expenses were \$629,671. The District's business type activities include the School Nutrition Fund and Farm Enterprise Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.









During the year ended June 30, 2004, the District increased meal prices .05 cents per elementary meal and .10 cents per secondary level meal. The District continues to contract food services with Taher, Incorporated of Minnesota.




### **INDIVIDUAL FUND ANALYSIS**

As previously noted, Dallas Center-Grimes Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its government funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$4,168,783. The previous year, governmental funds reported a combined fund balance of \$8,417,251 which included unexpended construction funds for the high school project nearing completion, and the middle school project which had just begun.

### **Governmental Fund Highlights**

-  The District continued to increase fund balance according to our financial workout plan adopted by the board in FY99. The general operating fund balance increased from \$1,069,098 at the end of FY03 to \$1,513,679 at the close of FY04. The district's targeted financial solvency rate is 10-15%. The solvency ratio was 13.9%.
-  When the state made the across-the-board reductions in 2001-02 and 2003-04, DC-G made reductions in line item expenditures. We continued the 2001 and 2003 reduction into the current fiscal year.
-  Dallas Center-Grimes has experienced enrollment growth, which has allowed for additional dollars to fund programs. This has allowed some of the increased cost to be covered by new funds.
-  Over the past five years the net impact of open enrollment has been very positive for DC-G. There is net \$275,000 more available for funding programs within our district.
-  In 2001-02, Dallas Center-Grimes implemented a 3% instructional levy. In 2001-02, the instructional levy was 3%, in 2002-03 it was 7%, and is currently at 10%. Due to budget reduction in other areas, the district elected not to commit all the instructional levy dollars to current year spending.
-  The District has implemented an extension at-risk program, now at the maximum funding level. This has provided funding for some of the additional staff needed in the district, reducing regular operational budget.
-  The District's administrative team and school board closely monitor monthly revenue and expenditures. The board has intentionally decided not to commit funds beyond a certain level, allowing a larger fund balance for future needs.
-  The Physical Plant and Equipment Levy (PPEL) fund balance increased from \$147,327 at the end of FY03 to \$215,334 at the end of FY04. These funds are planned for use in FY05 for supplementing the auditorium construction project, supplementing Phase 2 of the sport complex construction project and school bus purchases.

-  The Schoolhouse 67.5 cent fund balance decreased from \$214,149 at the end of FY03 to \$17,691 at the end of FY04. This levy expired in FY03 and the fund balance is being expended on building maintenance projects of larger size.
-  The Capital Projects fund balance decreased from \$6,791,954 at the close of FY03 to \$2,144,487 at the close of FY04. These funds were expended on construction completion at the high school, phase one of the Sports Complex construction project, and construction/renovation of the middle school.
-  The Management fund balance increased from \$85,299 to \$171,859. The district continues to rebuild the fund balance of the management fund which was depleted in FY00 when no funds were levied and the fund balance was diminished. The fund balance is held in reserve in part due to high deductible option selected with our worker's compensation insurance.

## Proprietary Fund Highlights

School Nutrition cash/investments and inventories increased from \$54,254 at June 30, 2003 to \$92,437 at June 30, 2004. The Farm account cash/investments increased from \$10,901 at the close of FY03 to \$17,224 at the close of FY04.

## BUDGETARY HIGHLIGHTS

Over the course of the year, Dallas Center-Grimes Community School District adhered to its published budget. No budget amendments were needed in this fiscal year.

The District's receipts were \$152,573 less than budgeted receipts, a variance of approximately 1%. The local receipts area was over projections by \$391,022, but was offset by the decline in state sources resulting from a 2.5% across the board budget cut mid-year.

Total expenditures were under published projections. It is the district's practice to budget expenditures at a maximum authorized spending authority for funds, yet to manage and control the spending through the line-item budget.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2004, the District had invested \$25.9 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 21% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$608,157.

Figure A-6							
Capital Assets, net of Depreciation							
(Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2004	2003	2004	2003	2004	2003	2003-2004
Land	\$ 1,452	1,452	\$ -	-	\$ 1,452	1,452	0.0%
Construction in progress	5,887	1,076	-	-	5,887	1,076	447.1%
Buildings	17,628	18,055	-	-	17,628	18,055	-2.4%
Improvements other than buildings	326	171	-	-	326	171	90.6%
Furniture and equipment	479	501	185	206	664	707	-6.1%
Totals	\$ 25,772	21,255	\$ 185	206	\$ 25,957	21,461	20.9%

The largest change in capital asset activity occurred in the construction in progress category. The District's construction in progress totaled \$1,076,449 at June 30, 2003 and totaled \$5,887,452 at June 30, 2004. The sports complex project funded with local option sales and service tax dollars, and middle school construction funded by a general obligation bond in the amount of \$6,400,000 were in process at year end. Construction on the auditorium funded by a general obligation bond of \$3,000,000 was about to begin.

### Long-term Debt

At June 30, 2004, the District has \$19,686,434 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately four percent from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 of the financial statements.

<b>Figure A-7</b>			
<b>Outstanding Long-Term Obligations</b>			
<b>(Expressed in Thousands)</b>			
	Total District		Total Change
	June 30,		June 30,
	2004	2003	2003-2004
General obligation bonds	\$ 19,625	20,520	-4.4%
Early retirement	61	50	22.0%
Totals	\$ 19,686	20,570	-4.3%














On March 30, 2004, the District's voters authorized the issuance of \$3,000,000 in general obligation bonds to pay for construction and furnishing an auditorium addition to the high school building. The following reviews recent bonding and construction:

October 19, 1999	Bond issue 9.75 million for purchase of Rhinehart land, Purchase of Meadows land & build/furnish high school on Meadows land 1.26 million bond sold to begin construction and make land purchases	(Levy A only) Pass Levy B-Fail
November 23, 1999	Passage of the Polk County Local Option Sales Tax Revenue bond 4.9 million for the construction of DC elementary sold on October 17, 2000	Pass
December 7, 1999	Levy B raising funds to levy at the \$4.05 mark for the 9.75 million dollar bond issue. 9.985 GO bond sold which was remaining dollars authorized Oct. 19, 1999 and refinance Grimes elementary bond	Pass
July 16, 2002	Bond issue 6.4 million for construction, renovation, and furnishing a new middle school in Dallas Center	Pass
March 19, 2004	Began Phase One of Sports Complex project funded with Local Option Sales and Service dollars. Phase one completed October 18, 2004.	
March 30, 2004	Bond issue 3.0 million for construction and furnishing of auditorium addition to the high school	Pass



## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances which may affect financial health in the future:

-  The district continues to experience enrollment growth. The district's population is currently estimated at 7,080 which is approximately 6% growth over the 2000 census, and over 70% growth since the 1990 census.
-  Unemployment for the area is lower than state average by more than 1%. New businesses continue to locate within the district. Pioneer Hybrid has moved its gene research lab to Dallas Center. Several businesses have located on the Highway 141 corridor.
-  Along with growth, transportation needs to bring students to school locations continues to grow. The district in the past has purchased one new bus per year but will need to increase these purchases.
-  The district has no bus barn facility at this time, and with a growing fleet is in need of a central location to store and perform maintenance on the fleet.
-  Fiscal 2004 is the first year of a two-year contract with the Dallas Center-Grimes Education Association. The District will negotiate a new agreement during FY2005.
-  For the district's most recent bond, the bond rating was issued by Moody's Investing Service for the first time. The rating is A3.
-  Over the past six years, the district net open enrollment in and out number has improved dramatically. The district will need to be careful of funding ongoing expenditures with funds as variable as open enrollment. The district needs to continue to foster open enrollment in to the extent that facilities allow.
-  In the last re-assessment of district taxable valuation, agricultural land fell by over 30%. This decrease, and the several years it will take to build back to where taxable agricultural land was previously, will have an impact on the district's bonding capacity and debt service rate.
-  Area cities continue to discuss and use TIF as means of supporting development. All TIF, but especially residential TIF will have a negative impact on property tax rate. The district must continue to monitor and oppose TIFs that negatively impact the district.
-  In the Grimes area, 3-4 large housing developments have recently opened. The number of houses that are built annually will impact the district's general fund and need for additional facilities. The recent rate of growth will allow for a manageable transition to additional facilities, but accelerated rates of growth will greatly stress current facilities.
-  The district currently has a LOSST from Dallas and Polk Counties. How these two sales tax sources blend, depending on the impact one has on the other, will impact LOSST dollars available for facility needs.
-  The district is about one-half of the way through the Polk County ten-year LOSST. This support has been valuable to the district. The continuation of this tax will be critical to the district.
-  Two years ago the district's schoolhouse levy came to an end. To allow for property tax rates to be maintained at \$17.50 per thousand a voted PPEL was not added. Although current facilities are in great condition, there will be an increasing need for annual facility maintenance funds as facilities are no longer under warranty and start to age.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Michelle Wearmouth, Business Manager at Dallas Center-Grimes Community School District, P.O. Box 512, Dallas Center, Iowa 50063.

## **Basic Financial Statements**

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
June 30, 2004

	Governmental Activities	Business type Activities	Total	Component Units
<b>Assets</b>				
Cash and cash equivalents				
ISCAP	\$ 2,908,244	-	2,908,244	-
Bond reserve	490,000	-	490,000	-
Other	5,072,929	91,912	5,164,841	87,714
Receivables:				
Property tax:				
Delinquent	42,301	-	42,301	-
Succeeding year	5,409,780	-	5,409,780	-
Accounts	4,913	-	4,913	-
Accrued interest:				
ISCAP	6,206	-	6,206	-
Other	4,758	-	4,758	-
Due from other governments	142,607	-	142,607	-
Inventories	-	17,749	17,749	-
Capital assets, net of accumulated depreciation (note 5)	25,772,535	184,532	25,957,067	-
<b>Total assets</b>	<b>39,854,273</b>	<b>294,193</b>	<b>40,148,466</b>	<b>87,714</b>
<b>Liabilities</b>				
Accounts payable	456,918	42,455	499,373	-
Salaries and benefits payable	1,092,339	-	1,092,339	-
Accrued interest payable	139,855	-	139,855	-
Deferred revenue:				
Succeeding year property tax	5,409,780	-	5,409,780	-
ISCAP warrants payable	2,891,000	-	2,891,000	-
ISCAP accrued interest payable	9,472	-	9,472	-
ISCAP unamortized premium	30,715	-	30,715	-
Long-term liabilities (note 6):				
Portion due within one year:				
Bonds payable	1,065,000	-	1,065,000	-
Early retirement	22,731	-	22,731	-
Portion due after one year:				
Bonds payable	18,560,000	-	18,560,000	-
Early retirement	38,703	-	38,703	-
<b>Total liabilities</b>	<b>29,716,513</b>	<b>42,455</b>	<b>29,758,968</b>	<b>-</b>
<b>Net assets</b>				
Invested in capital assets, net of related debt	8,292,022	184,532	8,476,554	-
Restricted for:				
TAG	21,739	-	21,739	-
Management levy	171,859	-	171,859	-
Physical plant and equipment levy	215,334	-	215,334	-
Other special revenue purposes	100,158	-	100,158	-
Unrestricted	1,336,648	67,206	1,403,854	87,714
<b>Total net assets</b>	<b>\$ 10,137,760</b>	<b>251,738</b>	<b>10,389,498</b>	<b>87,714</b>

See notes to financial statements.

## Exhibit B

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2004

		Program Revenues	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
	Expenses		
<b>Functions/Programs</b>			
Governmental activities:			
Instruction:			
Regular instruction	\$ 4,875,089	494,610	342,614
Special instruction	1,431,814	85,652	188,095
Other instruction	879,507	232,433	46,629
	<u>7,186,410</u>	<u>812,695</u>	<u>577,338</u>
Support Service:			
Student services	299,187	-	-
Instructional staff services	591,991	-	-
Administration services	951,060	-	-
Operating and maintenance of plant services	1,316,041	-	-
Transportation services	528,302	-	19,468
Central support	6,484	-	-
	<u>3,693,065</u>	<u>-</u>	<u>19,468</u>
Other expenditures:			
Facilities acquisition	407,707	-	-
Long-term debt interest	1,157,987	-	-
AEA flowthrough	405,946	-	405,946
Depreciation (unallocated)*	-	-	-
	<u>1,971,640</u>	<u>-</u>	<u>405,946</u>
Total governmental activities	12,851,115	812,695	1,002,752
Business type activities:			
Non-instructional programs:			
Nutrition services	629,258	471,885	131,489
Farm account	413	6,736	-
	<u>629,671</u>	<u>478,621</u>	<u>131,489</u>
Total primary government	<u>\$ 13,480,786</u>	<u>1,291,316</u>	<u>1,134,241</u>
Component Units:			
Program expense	\$ 38,713	-	20,223
Management and general expense	1,109	-	-
Fund raising expense	126,620	-	199,601
Total component units	<u>\$ 166,442</u>	<u>-</u>	<u>219,824</u>

Exhibit B

Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities	Business Type Activities	Total	Component Units
(4,037,865)	-	(4,037,865)	-
(1,158,067)	-	(1,158,067)	-
(600,445)	-	(600,445)	-
(5,796,377)	-	(5,796,377)	-
(299,187)	-	(299,187)	-
(591,991)	-	(591,991)	-
(951,060)	-	(951,060)	-
(1,316,041)	-	(1,316,041)	-
(508,834)	-	(508,834)	-
(6,484)	-	(6,484)	-
(3,673,597)	-	(3,673,597)	-
(407,707)	-	(407,707)	-
(1,157,987)	-	(1,157,987)	-
-	-	-	-
-	-	-	-
(1,565,694)	-	(1,565,694)	-
(11,035,668)	-	(11,035,668)	-
-	(25,884)	(25,884)	-
-	6,323	6,323	-
-	(19,561)	(19,561)	-
(11,035,668)	(19,561)	(11,055,229)	-
-	-	-	(18,490)
-	-	-	(1,109)
-	-	-	72,981
-	-	-	53,382

Exhibit B

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2004

		Program Revenues	
		Charges for	Operating
	Expenses	Service	Grants, Contributions and Restricted Interest
<b>Continued from previous page</b>			
<b>General Revenues:</b>			
Totals from pages 18 and 19	\$ 13,480,786	1,291,316	1,134,241
Property tax levied for:			
General purposes			
Debt service			
Capital outlay			
Local option sales and services tax			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
Gifts to Dallas Center-Grimes Community School District			
Gain (loss) on sale of assets			
 Total general revenues			
 Change in net assets			
 Net assets beginning of year, as restated (note 13)			
 Net assets end of year			

\* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.

Exhibit B

Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities	Business Type Activities	Total	Component Units
(11,035,668)	(19,561)	(11,055,229)	53,382
4,682,605	-	4,682,605	-
1,388,846	-	1,388,846	-
123,995	-	123,995	-
1,056,653	-	1,056,653	-
4,680,524	-	4,680,524	-
131,138	348	131,486	36
1,870	-	1,870	-
139,405	-	139,405	(41,830)
-	-	-	-
12,205,036	348	12,205,384	(41,794)
1,169,368	(19,213)	1,150,155	11,588
8,968,392	270,951	9,239,343	76,126
\$ 10,137,760	251,738	10,389,498	87,714

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2004

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
<b>Assets and Other Debits</b>					
Cash and pooled investments					
ISCAP	\$ 2,908,244	-	-	-	2,908,244
Bond reserve	-	-	490,000	-	490,000
Other	2,563,579	13,038	1,953,734	542,578	5,072,929
Receivables:					
Property tax:					
Current year delinquent	29,276	10,228	-	2,797	42,301
Succeeding year	4,451,506	511,635	-	446,639	5,409,780
Accounts	4,163	-	750	-	4,913
Accrued Interest:					
ISCAP	6,206	-	-	-	6,206
Other	1,721	-	3,034	3	4,758
Due from other governments	50,397	-	92,210	-	142,607
<b>Total assets and other debits</b>	<b>\$ 10,015,092</b>	<b>534,901</b>	<b>2,539,728</b>	<b>992,017</b>	<b>14,081,738</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 26,381	-	395,241	35,296	456,918
Salaries and benefits payable	1,092,339	-	-	-	1,092,339
Early retirement payable (note 6)	-	-	-	22,731	22,731
ISCAP warrants payable	2,891,000	-	-	-	2,891,000
ISCAP accrued interest payable	9,472	-	-	-	9,472
ISCAP unamortized premium	30,715	-	-	-	30,715
Deferred revenue:					
Succeeding year property tax	4,451,506	511,635	-	446,639	5,409,780
<b>Total liabilities</b>	<b>8,501,413</b>	<b>511,635</b>	<b>395,241</b>	<b>504,666</b>	<b>9,912,955</b>
Fund balances:					
Reserved for:					
TAG	21,739	-	-	-	21,739
Debt service	-	23,266	-	-	23,266
Unreserved:					
Undesignated	1,491,940	-	2,144,487	487,351	4,123,778
<b>Total fund balances</b>	<b>1,513,679</b>	<b>23,266</b>	<b>2,144,487</b>	<b>487,351</b>	<b>4,168,783</b>
<b>Total liabilities and fund balances</b>	<b>\$ 10,015,092</b>	<b>534,901</b>	<b>2,539,728</b>	<b>992,017</b>	<b>14,081,738</b>

See notes to financial statements.



DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 June 30, 2004

<b>Total fund balances of governmental funds (pg. 22)</b>	\$ 4,168,783
---	--------------

***Amounts reported for governmental activities in the statement of net assets are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	25,772,535
--	------------

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(139,855)
--	-----------

Long-term liabilities, including bonds payable and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(19,663,703)</u>
---	---------------------

<b>Net assets of governmental activities (pg. 17)</b>	<u><u>\$ 10,137,760</u></u>
---	-----------------------------

See notes to financial statements.

## Exhibit E

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 Year Ended June 30, 2004

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Revenues:					
Local sources:					
Local tax	\$ 4,385,693	1,388,846	1,056,653	420,907	7,252,099
Tuition	495,100	-	-	-	495,100
Other	253,990	775	97,598	235,902	588,265
Intermediate sources	4,994	-	-	-	4,994
State sources	5,491,242	405	-	116	5,491,763
Federal sources	188,262	-	-	-	188,262
Total revenues	10,819,281	1,390,026	1,154,251	656,925	14,020,483
Expenditures:					
Current:					
Instruction:					
Regular instruction	4,679,322	-	-	24,283	4,703,605
Special instruction	1,431,814	-	-	-	1,431,814
Other instruction	509,257	-	-	223,694	732,951
	6,620,393	-	-	247,977	6,868,370
Support services:					
Student services	295,459	-	-	-	295,459
Instructional staff services	504,541	-	-	-	504,541
Administration services	888,813	-	-	-	888,813
Operation and maintenance of plant services	1,146,794	-	-	167,106	1,313,900
Transportation services	512,754	-	-	12,570	525,324
Central support services	-	-	-	6,484	6,484
	3,348,361	-	-	186,160	3,534,521
Other expenditures:					
Facilities acquisition	-	-	5,145,017	254,693	5,399,710
Long-term debt:					
Principal	-	925,000	-	-	925,000
Interest and fiscal charges	-	1,165,404	-	-	1,165,404
AEA flowthrough	405,946	-	-	-	405,946
	405,946	2,090,404	5,145,017	254,693	7,896,060
Total expenditures	10,374,700	2,090,404	5,145,017	688,830	18,298,951
Excess (deficiency) of revenues over (under) expenditures	444,581	(700,378)	(3,990,766)	(31,905)	(4,278,468)
Other financing sources (uses):					
Bond proceeds	-	-	30,000	-	30,000
Interfund transfer	-	686,701	(686,701)	-	-
Total other financing sources (uses)	-	686,701	(656,701)	-	30,000
Net change in fund balances	444,581	(13,677)	(4,647,467)	(31,905)	(4,248,468)
Fund balances beginning of year	1,069,098	36,943	6,791,954	519,256	8,417,251
Fund balances end of year	\$ 1,513,679	23,266	2,144,487	487,351	4,168,783

See notes to financial statements.

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 Year ended June 30, 2004

**Net change in fund balances - total governmental funds (pg. 24)** **\$ (4,248,468)**

***Amounts reported for governmental activities in the  
 statement of activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 5,104,181	
Depreciation expense	<u>(586,885)</u>	4,517,296

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.

925,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

7,417

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	(1,877)
------------------	---------

Proceeds of long-term debt provide current financial resources to governmental funds but increase long-term liabilities in the Statement of Net Assets.

(30,000)

**Change in net assets of governmental activities (pg. 21)**

**\$ 1,169,368**

See notes to financial statements.

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2004

	<u>Enterprise Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 91,912
Inventories	17,749
Capital assets, net of accumulated depreciation	<u>184,532</u>
<b>Total assets</b>	<u>294,193</u>
<b>Liabilities</b>	
Accounts payable	<u>42,455</u>
<b>Total liabilities</b>	<u>42,455</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	184,532
Unrestricted	<u>67,206</u>
<b>Total net assets</b>	<u><u>\$ 251,738</u></u>

See notes to financial statements.

Exhibit H

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
Year ended June 30, 2004

	<u>Enterprise Funds</u>
Operating revenues:	
Local sources	
Charges for service	<u>\$ 478,621</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries and benefits	70,426
Benefits	19,831
Purchased services	473,237
Supplies	44,492
Depreciation	<u>21,272</u>
	629,258
Farm rental operations:	
Supplies	<u>413</u>
Total operating expenses	<u>629,671</u>
Operating loss	<u>(151,050)</u>
Non-operating revenues:	
State sources	6,552
Federal sources	124,937
Local sources	<u>348</u>
Total non-operating revenues	<u>131,837</u>
Changes in net assets	(19,213)
Net assets beginning of year	<u>270,951</u>
Net assets end of year	<u><u>\$ 251,738</u></u>

See notes to financial statements.

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
Year ended June 30, 2004

	Enterprise Funds
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 471,874
Cash received from miscellaneous operating activities	6,747
Cash payments to employees for services	(90,257)
Cash payments to suppliers for goods or services	(438,638)
Net cash used by operating activities	<u>(50,274)</u>
Cash flows from non-capital financing activities:	
State grants received	6,552
Federal grants received	93,211
Net cash provided by non-capital financing activities	<u>99,763</u>
Cash flows from investing activities:	
Interest on investments	<u>348</u>
Net increase in cash and cash equivalents	49,837
Cash and cash equivalents at beginning of year	<u>42,075</u>
Cash and cash equivalents at end of year	<u><u>\$ 91,912</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (151,050)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:	
Commodities used	31,726
Depreciation	21,264
Decrease in inventories	5,331
Increase in accounts payable	42,455
Net cash used by operating activities	<u><u>\$ (50,274)</u></u>
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Statement of Net Assets:</b>	
Current assets:	
Cash and investments	<u>\$ 91,912</u>
Cash and cash equivalents at year end	<u><u>\$ 91,912</u></u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2004, the District received federal commodities valued at \$31,726.

See notes to financial statements.

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
June 30, 2004

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Cash and pooled investments	\$ 102,468	4,443
<b>Total assets</b>	102,468	4,443
<b>Liabilities</b>		
Accounts payable	-	4,443
<b>Total liabilities</b>	-	4,443
<b>Net assets</b>		
Reserved for scholarships	\$ 102,468	-
See notes to financial statements.		

Exhibit K

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
Year ended June 30, 2004

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 18,918
Interest income	617
Total additions	<u>19,535</u>
Deductions:	
Support services:	
Scholarships awarded	<u>23,348</u>
Change in net assets	(3,813)
Net assets beginning of year	<u>106,281</u>
Net assets end of year	<u><u>\$ 102,468</u></u>

See notes to financial statements.



DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS - COMPONENT UNITS  
June 30, 2004

	Mustang Wrestling Club, Inc.	Dallas Center- Grimes K-8 PTO	Dallas Center- Grimes Friends of Fine Arts	Dallas Center- Grimes Athletic Booster Club	Total
<b>Assets</b>					
Cash and pooled investments	\$ 4,805	17,011	35,774	30,124	87,714
<b>Total assets</b>	<u>\$ 4,805</u>	<u>17,011</u>	<u>35,774</u>	<u>30,124</u>	<u>87,714</u>
<b>Net Assets</b>					
Unrestricted	<u>\$ 4,805</u>	<u>17,011</u>	<u>35,774</u>	<u>30,124</u>	<u>87,714</u>

See notes to financial statements.

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS - COMPONENT UNITS  
June 30, 2004

	Mustang Wrestling Club, Inc.	Dallas Center-Grimes K-8 PTO	Dallas Center-Grimes Friends of Fine Arts	Dallas Center- Grimes Athletic Booster Club	Total
Operating revenues:					
Contributions	\$ 2,088	15	-	650	2,753
Membership dues	-	200	-	17,270	17,470
Fundraising	2,808	75,482	41,182	80,129	199,601
Total operating revenues	4,896	75,697	41,182	98,049	219,824
Operating expenses:					
Program expenses	3,200	5,103	2,075	28,335	38,713
Management and general expenses	2	377	56	674	1,109
Fundraising expenses	-	46,661	20,059	59,900	126,620
Total operating expenses	3,202	52,141	22,190	88,909	166,442
Operating income (loss)	1,694	23,556	18,992	9,140	53,382
Non-operating revenues (expenses):					
Interest income	2	18	-	16	36
Gifts to Dallas Center-Grimes Community School District	(1,000)	(35,116)	(5,714)	-	(41,830)
Net non-operating revenues (expenses)	(998)	(35,098)	(5,714)	16	(41,794)
Changes in net assets	696	(11,542)	13,278	9,156	11,588
Net assets beginning of year	4,109	28,553	22,496	20,968	76,126
Net assets end of year	\$ 4,805	17,011	35,774	30,124	87,714

See notes to financial statements.

# DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2004

### (1) Summary of Significant Accounting Policies

The Dallas Center-Grimes Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Dallas Center and Grimes, Iowa, and the predominate agricultural territory in Dallas County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, Dallas Center-Grimes Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

These financial statements present Dallas Center-Grimes Community School District (the primary government) and its component units. The components units discussed below are included in the District's reporting entity because of the significance of their operational or financial relationships with the District.

#### Discrete Component Units

Mustang Wrestling Club, Inc. is a legally separate not-for-profit entity. Mustang Wrestling Club, Inc. was established for the purpose of providing additional educational and recreational services for the benefit of Dallas Center-Grimes Community School District. Although the District does not control the timing or amount of receipts from Mustang Wrestling Club, Inc., the majority of the resources that are held are used for the benefit of Dallas Center-Grimes Community School District.

Dallas Center-Grimes PTO is a legally separate not-for-profit entity. Dallas Center-Grimes PTO was established for the purpose of providing additional educational and recreational services for the benefit of Dallas Center-Grimes Community School District. Although the District does not control the timing or amount of receipts from Dallas Center-Grimes PTO, the majority of the resources that are held are used for the benefit of Dallas Center-Grimes Community School District.

Dallas Center-Grimes Friends of Fine Arts is a legally separate not-for-profit entity. Dallas Center-Grimes Friends of Fine Arts was established for the purpose of providing additional educational opportunities for the students of Dallas Center-Grimes Community School District. Although the District does not control the timing or amount of receipts from the Dallas Center-Grimes Friends of Fine Arts, the majority of the resources that are held are used for the benefit of Dallas Center-Grimes Community School District.

# DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Dallas Center-Grimes Athletic Booster Club is a legally separate not-for-profit entity. Dallas Center-Grimes Athletic Booster Club was established for the purpose of maintaining and developing the athletic facilities and departments of Dallas Center-Grimes Community School District. Although the District does not control the timing or amount of receipts from the Dallas Center-Grimes Athletic Booster Club, the majority of the resources that are held are used for the benefit of Dallas Center-Grimes Community School District.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Dallas County Assessor's Conference Board.

### B. Basis of Presentation

Government-wide financial statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

# DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2004

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District's proprietary funds consist of two Enterprise funds: School Nutrition and School Farm Account. These funds are used to account for the food service operations and farm rental operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary fund includes the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

### C. Measurement Focus and Basis of Accounting

The Government-wide proprietary and fiduciary fund financial statements are reported using the "economic resources measurement focus" and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

## DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

---

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

# DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2003.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expense when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business type activities columns in the Government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

# DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

---

Long-term Liabilities – In the Government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the Government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements did not exceed the amounts budgeted.

## (2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$4,520,653 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Statement No. 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's investment in the Iowa Schools Joint Investment Trust is not subject to risk categorization.

## (3) **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	<u>\$686,701</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.



DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards, administered by Wells Fargo Bank, to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants which mature as noted below. The warrant sizing of each participating entity is based on a projection of cash flow needs during the semiannual period. Wells Fargo maintains ISCAP accounts for each participating entity and provides monthly statements regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. A summary of the District's participation in ISCAP as of June 30, 2004 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investment	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2003-04B	1/30/2004	1/28/2005	\$ 1,140,716	6,206	1,133,000	9,472
2004-05A	6/30/2004	6/30/2005	1,767,528	-	1,758,000	-
Total			<u>\$ 2,908,244</u>	<u>6,206</u>	<u>2,891,000</u>	<u>9,472</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount.

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2003-04B	2.00%	1.310%
2004-05A	3.00	2.463

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(5) Capital Assets

Capital assets activity for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year, as restated (note 13)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,452,000	-	-	1,452,000
Construction in progress	1,076,449	4,811,003	-	5,887,452
Total capital assets not being depreciated	2,528,449	4,811,003	-	7,339,452
Capital assets being depreciated:				
Buildings	21,045,970	-	-	21,045,970
Improvements other than buildings	498,375	181,000	-	679,375
Furniture and equipment	1,469,684	112,178	-	1,581,862
Total capital assets being depreciated	23,014,029	293,178	-	23,307,207
Less accumulated depreciation for:				
Buildings	2,991,060	426,454	-	3,417,514
Improvements other than buildings	327,498	26,116	-	353,614
Furniture and equipment	968,681	134,315	-	1,102,996
Total accumulated depreciation	4,287,239	586,885	-	4,874,124
Total capital assets being depreciated, net	18,726,790	(293,707)	-	18,433,083
Governmental activities capital assets, net	\$ 21,255,239	4,517,296	-	25,772,535
Business-type activities:				
Furniture and equipment	\$ 317,313	-	-	317,313
Less accumulated depreciation	111,509	21,272	-	132,781
Business-type activities capital assets, net	\$ 205,804	(21,272)	-	184,532
Depreciation expense was charged by the District as follows:				
Governmental activities:				
Instruction:				
Regular				\$ 236,703
Other				146,556
Support services:				
Student support				3,728
Instructional staff				87,460
Administration				62,247
Operation and maintenance of plant				4,708
Transportation				45,493
				586,885
Unallocated depreciation				-
Total governmental activities depreciation expense				\$ 586,885
Business-type activities:				
Food services				\$ 21,272

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

**(6) Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2004 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 20,520,000	30,000	925,000	19,625,000	1,065,000
Early retirement	49,252	24,608	12,426	61,434	22,731
Total	\$ 20,569,252	54,608	937,426	19,686,434	1,087,731

Early Retirement

The District offers a voluntary early retirement plan to its full-time, certified employees. Eligible employees must be at least age fifty-five and must have completed fifteen years of continuous service to the District, except for administrators who must have completed ten years. Employees must complete an application which is subject to approval by the Board of Education. The benefits are arrived at by taking the average salary over the last fifteen years times a percentage at the time of early retirement. The percentage starts at 25% at age 55 and decreases each year to 0% at age 65. Early retirement expenditures for the year ended June 30, 2004 totaled \$12,426.

General Obligation Bonds Payable

Details of the District's June 30, 2004 general obligation bonded indebtedness are as follows:

Year ending June 30,	Bond Issue of December 12, 1999			Bond Issue of May 1, 2000		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest
2005	4.65%	\$ 125,000	40,002	5.50%	\$ 340,000	495,217
2006	4.70	130,000	34,190	5.50	305,000	476,517
2007	4.80	305,000	28,080	5.50	155,000	459,742
2008	4.80	280,000	13,440	5.75	200,000	451,217
2009		-	-	6.50	475,000	439,717
2010		-	-	6.50	505,000	408,842
2011		-	-	5.25	530,000	376,017
2012		-	-	5.30	560,000	348,192
2013		-	-	5.35	590,000	318,512
2014		-	-	5.40	625,000	286,947
2015		-	-	5.45	655,000	253,197
2016		-	-	5.50	690,000	217,500
2017		-	-	5.55	730,000	179,550
2018		-	-	5.60	775,000	139,035
2019		-	-	5.65	820,000	95,635
2020		-	-	5.70	865,000	49,305
		<u>\$ 840,000</u>	<u>115,712</u>		<u>\$ 8,820,000</u>	<u>4,995,142</u>

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Year ending June 30,	Bond Issue of November 1, 2002			Total		
	Interest Rate	Principal	Interest	Principal	Interest	Total
2005	3.00%	\$ 85,000	268,582	\$ 550,000	803,801	1,353,801
2006	3.00	145,000	266,032	580,000	776,739	1,356,739
2007	3.00	155,000	261,282	615,000	749,104	1,364,104
2008	3.00	160,000	257,032	640,000	721,689	1,361,689
2009	3.00	200,000	252,232	675,000	691,949	1,366,949
2010	5.00	210,000	246,232	715,000	655,074	1,370,074
2011	5.00	230,000	235,732	760,000	611,749	1,371,749
2012	5.00	240,000	224,232	800,000	572,424	1,372,424
2013	4.00	250,000	212,232	840,000	530,744	1,370,744
2014	3.70	260,000	202,232	885,000	489,179	1,374,179
2015	3.85	275,000	192,612	930,000	445,809	1,375,809
2016	4.00	285,000	182,025	975,000	399,525	1,374,525
2017	4.10	305,000	170,625	1,035,000	350,175	1,385,175
2018	4.15	315,000	158,120	1,090,000	297,155	1,387,155
2019	4.25	325,000	145,047	1,145,000	240,682	1,385,682
2020	4.30	345,000	131,235	1,210,000	180,540	1,390,540
2021	4.40	1,275,000	116,400	1,275,000	116,400	1,391,400
2022	4.50	1,340,000	60,300	1,340,000	60,300	1,400,300
		<u>\$ 6,400,000</u>	<u>3,582,184</u>	<u>\$ 16,060,000</u>	<u>8,693,038</u>	<u>24,753,038</u>

Revenue Bonds Payable

Details of the District's June 30, 2004 local option sales and services tax revenue bonded indebtedness are as follow

Year ending June 30,	Bond Issue of November 1, 2000			Total
	Interest Rate	Principal	Interest	
2005	5.13%	\$ 515,000	175,026	690,026
2006	5.13	545,000	148,633	693,633
2007	5.13	575,000	120,701	695,701
2008	4.75	600,000	91,233	691,233
2009	4.80	635,000	62,733	697,733
2010	4.85	665,000	32,253	697,253
		<u>\$ 3,535,000</u>	<u>630,579</u>	<u>4,165,579</u>

The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District.

# DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2004

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a) The bonds will only be redeemed from the future earnings of the local option sales tax revenues received by the District and the bond holders hold a lien on the future revenues received.
- b) As a requirement of the bond issue, ten percent of the \$4,900,000 bond proceeds are to be held in a restricted account as required by the Security and Source Payments section of the agreement.

### **(7) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$360,323, \$355,446, and \$341,101, respectively, equal to the required contributions for each year.

### **(8) Risk Management**

Dallas Center-Grimes Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### **(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$405,946 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

### **(10) Construction Commitment**

The District has entered into various contracts totaling \$6,104,300 for the construction of a new middle school and athletic facility. As of June 30, 2004, costs of \$5,887,452 had been incurred against the contracts. The balance of \$216,848 remaining at June 30, 2004 will be paid as work on the project progresses.

### **(11) Related Party Transaction**

The District had business transactions totaling \$50,495 between the District and District officials during the year ended June 30, 2004.

# DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2004

### (12) Subsequent Event

The District has issued General Obligation Bonds dated July 1, 2004 in the amount of \$3,000,000 as approved by the voters on March 30, 2004. The proceeds will be used to construct a new auditorium at the high school. As of June 30, 2004, the District has received a \$30,000 advance on this issue.

### (13) Accounting Change and Restatements

Governmental Accounting Standards Board Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, was implemented for the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 39, Determining Whether Certain Organizations Are Component Units; and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The significant change in the financial statements due to Statement No. 39 includes reporting the financial statements of Mustang Wrestling Club, Inc., Dallas Center-Grimes PTO, Dallas Center-Grimes Friends of Fine Arts, and Dallas Center-Grimes Athletic Booster Club as discretely presented component units. Since the component units are discretely presented, there is no change in the District's previously reported net assets.

The government-wide financial statements separate the District's programs between governmental and business type activities. The beginning net assets for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting. As of July 1, 2003 the District had no long-term liabilities.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	Fund				Total
	General	Debt Service	Capital Projects	Nonmajor Special Revenue	
Net assets, June 30, 2003 as previously reported	\$ 1,069,098	36,943	6,791,954	519,256	8,417,251
Net assets, July 1, 2003, as restated for governmental funds	\$ 1,069,098	36,943	6,791,954	519,256	8,417,251
GASB 34 adjustments:					
Capital assets, net of accumulated depreciation of \$4,287,239					21,255,239
Long-term liabilities:					
Bonds and notes				20,520,000	
Early retirement				36,826	(20,556,826)
Accrued interest payable					(147,272)
Net assets, July 1, 2003, as restated					\$ 8,968,392

### **Required Supplementary Information**

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES  
IN BALANCES - BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL  
FUNDS AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
Year ended June 30, 2004

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Local sources	\$ 8,293,282	478,969
Intermediate sources	4,994	-
State sources	5,081,777	6,552
Federal sources	167,191	93,211
Total receipts	<u>13,547,244</u>	<u>578,732</u>
Disbursements:		
Instruction	6,748,415	-
Support services	3,534,521	-
Noninstructional programs	-	528,895
Other expenditures	7,434,385	-
Total disbursements	<u>17,717,321</u>	<u>528,895</u>
Excess (deficiency) of receipts over (under) disbursements	(4,170,077)	49,837
Other financing sources	<u>30,000</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements	(4,140,077)	49,837
Balance beginning of year	<u>9,213,006</u>	<u>42,075</u>
Balance end of year	<u><u>\$ 5,072,929</u></u>	<u><u>91,912</u></u>

See accompanying independent auditor's report.



Total Actual	Budget	Final to Actual Variance-Positive (Negative)
8,772,251	8,381,229	391,022
4,994	5,000	(6)
5,088,329	5,673,205	(584,876)
260,402	219,115	41,287
14,125,976	14,278,549	(152,573)
6,748,415	7,081,362	332,947
3,534,521	3,846,631	312,110
528,895	548,988	20,093
7,434,385	8,350,393	916,008
18,246,216	19,827,374	1,581,158
(4,120,240)	(5,548,825)	1,428,585
30,000	-	30,000
(4,090,240)	(5,548,825)	1,458,585
9,255,081	7,609,098	1,645,983
5,164,841	2,060,273	3,104,568

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION  
REQUIRED SUPPLEMENTARY INFORMATION  
Year ended June 30, 2004

Governmental Funds			
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 13,547,244	473,239	14,020,483
Expenditures	17,717,321	581,630	18,298,951
Net	(4,170,077)	(108,391)	(4,278,468)
Other financing sources	30,000	-	30,000
Beginning fund balances	9,213,006	(795,755)	8,417,251
Ending fund balances	\$ 5,072,929	(904,146)	4,168,783

Proprietary Funds			
Enterprise			
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 578,732	31,726	610,458
Expenses	528,895	100,776	629,671
Net	49,837	(69,050)	(19,213)
Beginning net assets	42,075	228,876	270,951
Ending net assets	\$ 91,912	159,826	251,738

See accompanying independent auditor's report.

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
Year ended June 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private-Purpose Trust and Agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2004, disbursements did not exceed the amounts budgeted.

### **Other Supplementary Information**

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 June 30, 2004

	Management Levy	Student Activity	Physical Plant and Equipment Levy	67.5 cent Schoolhouse Levy	Total
<b>Assets</b>					
Cash and pooled investments	\$ 192,607	83,998	235,540	30,433	542,578
Receivables:					
Property tax:					
Current year delinquent	1,982	-	815	-	2,797
Succeeding year	320,002	-	126,637	-	446,639
Accrued interest	1	-	2	-	3
<b>Total assets</b>	<b>\$ 514,592</b>	<b>83,998</b>	<b>362,994</b>	<b>30,433</b>	<b>992,017</b>
<b>Liabilities and Fund Equity</b>					
Liabilities:					
Accounts Payable		1,531	21,023	12,742	35,296
Early retirement payable	\$ 22,731	-	-	-	22,731
Deferred revenue:					
Succeeding year property tax	320,002	-	126,637	-	446,639
Total liabilities	342,733	1,531	147,660	12,742	504,666
Fund equity:					
Unreserved, undesignated fund balance	171,859	82,467	215,334	17,691	487,351
<b>Total liabilities and fund equity</b>	<b>\$ 514,592</b>	<b>83,998</b>	<b>362,994</b>	<b>30,433</b>	<b>992,017</b>

See accompanying independent auditor's report.

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 NONMAJOR SPECIAL REVENUE FUNDS  
 Year ended June 30, 2004

	Management Levy	Student Activity	Physical Plant and Equipment Levy	67.5 cent Schoolhouse Levy	Total
Revenues:					
Local sources:					
Local tax	\$ 296,912	-	123,995	-	420,907
Other	8	233,680	1,391	823	235,902
State sources	83	-	33	-	116
Total revenues	297,003	233,680	125,419	823	656,925
Expenditures:					
Current:					
Instruction:					
Regular instruction	24,283	-	-	-	24,283
Other instruction	-	223,694	-	-	223,694
Support Services:					
Operation and maintenance of plant services	167,106	-	-	-	167,106
Transportation services	12,570	-	-	-	12,570
Central support services	6,484	-	-	-	6,484
Other expenditures:					
Facilities acquisition	-	-	57,412	197,281	254,693
Total expenditures	210,443	223,694	57,412	197,281	688,830
Excess (deficiency) of revenues over (under) expenditures	86,560	9,986	68,007	(196,458)	(31,905)
Fund balance beginning of year	85,299	72,481	147,327	214,149	519,256
Fund balance end of year	\$ 171,859	82,467	215,334	17,691	487,351

See accompanying independent auditor's report.

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 Year ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenditures	Transfers	Balance end of Year
Annuals	\$ 3,280	2,863	4,565	-	1,578
Athletics	173	14,658	8,971	(4,614)	1,246
Athletics Resale	-	13,898	15,932	2,034	-
HS Band Fundraiser	1,013	7,406	932	50	7,537
HS Band Resale	-	6,347	6,216	(50)	81
Baseball	-	5,775	6,831	1,100	44
Boosters	-	12,698	15,278	2,580	-
Boys/Girls Basketball	-	11,629	10,383	-	1,246
Class of:					
2003	757	-	-	(757)	-
2004	4,539	90	4,361	-	268
2005	769	4,428	3,643	-	1,554
2006	1,140	20	-	-	1,160
2007	-	10	-	-	10
2008	-	220	-	-	220
Co-ed Track	-	3,250	3,720	500	30
Cross Country	-	1,134	1,319	200	15
DC Presbyt Student Emerg Fund	5,000	310	828	-	4,482
Debate	-	891	774	(100)	17
Debate League	531	350	778	100	203
Drama	1,833	1,708	1,660	-	1,881
Drill Team	118	200	-	-	318
Football	5,508	23,436	14,601	(7,100)	7,243
French Club	500	25	-	-	525
FFA	4,294	6,095	8,728	-	1,661
FHA	921	205	386	-	740
Girls Softball	-	6,227	8,255	2,050	22
Golf	-	34	1,138	1,150	46
HS Student Council	1,032	1,299	1,186	(200)	945
HS Honor Society	-	166	358	200	8
HS Cheerleading	85	3,020	2,441	-	664
HS Juice/Pop Machine	5,551	7,613	10,442	457	3,179
HS Sign-Monument Fundraiser	-	853	-	-	853
HS Vocal Fundraiser	-	50	113	113	50
HS Vocal Registration	-	1,200	999	(113)	88
Horticulture Club	-	419	19	-	400
Interest	551	1,247	901	-	897
Mid Iowa Soccer	-	9,252	10,433	1,200	19
Miscellaneous	-	209	509	300	-
Musical	5,346	-	-	-	5,346
P.A.L.S.	187	-	-	-	187
Picture Fund	3,595	7,686	8,338	-	2,943
SADD	57	-	-	-	57
Spanish Club	6,387	44	-	-	6,431
Volleyball	-	7,231	8,089	900	42
Washington DC fundraiser	-	22,572	22,386	-	186
Wind Commissioning Project	1,000	-	-	-	1,000
Wrestling	-	4,006	3,609	-	397

## Schedule 3

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 Year ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenditures	Transfers	Balance end of Year
Character Counts	1	(1)		-	-
Jr. High Annual	1,265	2,711	2,706	-	1,270
Jr. High Cheerleading	250	740	206	-	784
Jr. High Juice/Pop Machine	119	8,140	7,438	-	821
Jr. High Student Council	1,869	1,009	782	-	2,096
MS Athletics	-	2,156	194	-	1,962
MS Band Fundraiser	2,031	4,108	4,230	-	1,909
MS Vocal Fundraiser	-	608	608	-	-
MS Band Resale	-	4,036	4,000	-	36
Elementary Band Resale	134	1,107	959	-	282
Elementary Vocal Resale	-	54	53	-	1
Spec underwriters Equip repair	(89)	886	709	-	88
Elementary Fundraiser - Grimes	6,691	-	-	-	6,691
Elementary Fundraiser - D.C.	1,695	6,540	4,989	-	3,246
Elementary Juice Fund	3,278	10,976	7,698	-	6,556
Elementary Student Council	1,070	(164)	-	-	906
Total	\$ 72,481	233,680	223,694	-	82,467

See accompanying independent auditor's report.



DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 June 30, 2004

	Enterprise Funds		
	School Nutrition	Farm Account	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 74,688	17,224	91,912
Inventories	17,749	-	17,749
Total current assets	92,437	17,224	109,661
Non-current assets:			
Machinery and equipment	317,313	-	317,313
Accumulated depreciation	(132,781)	-	(132,781)
Total non-current assets	184,532	-	184,532
<b>Total assets</b>	276,969	17,224	294,193
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	42,455	-	42,455
<b>Total current liabilities</b>	42,455	-	42,455
<b>Net Assets</b>			
Invested in capital assets, net of related debt	184,532	-	184,532
Unrestricted	49,982	17,224	67,206
<b>Total net assets</b>	\$ 234,514	17,224	251,738

See accompanying independent auditor's report.

## Schedule 5

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
 NET ASSETS - PROPRIETARY FUNDS  
 Year ended June 30, 2004

	Enterprise Funds		
	School Nutrition	Farm Account	Total
Operating revenue:			
Local sources:			
Other local sources:			
Food service sales	\$ 471,874	-	471,874
Rentals	-	6,736	6,736
Other revenue	11	-	11
Total operating revenues	471,885	6,736	478,621
Operating expenses:			
Non-instructional programs:			
Food services operations:			
Salaries	70,426	-	70,426
Benefits	19,831	-	19,831
Services	473,237	-	473,237
Supplies	44,492	-	44,492
Depreciation	21,272	-	21,272
Farm rental operations:			
Supplies	-	413	
Total operating expenses	629,258	413	629,671
Operating income (loss)	(157,373)	6,323	(151,050)
Non-operating revenue:			
Interest on investments	348	-	348
State lunch and breakfast program claims	6,552	-	6,552
National School Lunch Program	84,290	-	84,290
School Breakfast Program	8,921	-	8,921
Federal food commodities revenue	31,726	-	31,726
Total non-operating revenues	131,837	-	131,837
Net income (loss)	(25,536)	6,323	(19,213)
Net assets beginning of year	260,050	10,901	270,951
Net assets end of year	\$ 234,514	17,224	251,738

See accompanying independent auditor's report.

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 Year ended June 30, 2004

	Enterprise Funds		
	School Nutrition	Farm Account	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 471,874	-	471,874
Cash received from miscellaneous operating activities	11	6,736	6,747
Cash payments to employees for services	(90,257)	-	(90,257)
Cash payments to suppliers for goods or services	(438,225)	(413)	(438,638)
Net cash provided (used) by financing activities	(56,597)	6,323	(50,274)
Cash flows from non-capital financing activities:			
State grants received	6,552	-	6,552
Federal grants received	93,211	-	93,211
Net cash provided by non-capital financing activities	99,763	-	99,763
Cash flows from investing activities:			
Interest on investments	348	-	348
Net increase in cash and cash equivalents	43,514	6,323	49,837
Cash and cash equivalents at beginning of year	31,174	10,901	42,075
Cash and cash equivalents at end of year	\$ 74,688	17,224	91,912
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ (157,373)	6,323	(151,050)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Commodities received	31,726	-	31,726
Depreciation	21,264	-	21,264
Decrease in inventories	5,331	-	5,331
Increase in payables	42,455		42,455
Net cash provided (used) by operating activities	\$ (56,597)	6,323	(50,274)
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:</b>			
Current assets:			
Cash and investments	\$ 74,688	17,224	91,912
Cash and cash equivalents at year end	\$ 74,688	17,224	91,912

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2004, the District received federal commodities valued at \$31,726.

See accompanying independent auditor's report.

## Schedule 7

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUND  
 Year ended June 30, 2004

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash	\$ 2,589	39,222	37,368	4,443
<b>Total assets</b>	<b>\$ 2,589</b>	<b>39,222</b>	<b>37,368</b>	<b>4,443</b>
<b>Liabilities</b>				
Accounts payable	\$ 2,589	39,222	37,368	4,443
<b>Total liabilities</b>	<b>\$ 2,589</b>	<b>39,222</b>	<b>37,368</b>	<b>4,443</b>

See accompanying independent auditor's report.

## Schedule 8

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
ALL GOVERNMENTAL FUNDS  
FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	2004	2003	2002	2001
Revenues:				
Local sources:				
Local tax	\$ 7,252,099	6,885,291	5,639,466	5,133,334
Tuition	495,100	391,003	314,990	213,189
Other	588,265	763,894	1,239,438	1,426,164
Intermediate sources	4,994	3,703	12,781	13,436
State sources	5,491,763	5,412,384	5,528,870	5,485,581
Federal sources	188,262	136,033	91,365	76,016
Total	<u>\$ 14,020,483</u>	<u>13,592,308</u>	<u>12,826,910</u>	<u>12,347,720</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 4,703,605	4,400,590	4,525,336	4,103,589
Special instruction	1,431,814	1,415,187	1,162,614	1,129,037
Other instruction	732,951	722,347	803,495	779,219
Support services:				
Student services	295,459	287,944	276,579	241,794
Instructional staff services	504,541	517,441	488,846	533,834
Administration services	888,813	912,383	872,157	781,827
Operation and maintenance of plant services	1,313,900	1,180,972	914,528	958,571
Transportation services	525,324	397,907	379,505	422,862
Central support services	6,484	17,002	-	-
Food service operations	-	-	-	20,364
Non-instructional programs	-	-	-	-
Other expenditures:				
Facilities acquisition	5,399,710	2,516,067	6,942,125	6,529,600
Long-term debt:				
Principal	925,000	950,000	900,000	6,120,000
Interest and other charges	1,165,404	815,501	865,061	1,069,930
AEA flowthrough	405,946	419,009	409,628	408,250
Total	<u>\$ 18,298,951</u>	<u>14,552,350</u>	<u>18,539,874</u>	<u>23,098,877</u>

See accompanying independent auditor's report.

**Dallas Center-Grimes Community School District**

**Van Maanen  
& ASSOCIATES, P.C.**

**Certified Public Accountants**

705 Main St.  
Pella, IA 50219  
641-628-3737

Independent Auditor's Combined Report on Compliance  
and on Internal Control over Financial Reporting

To the Board of Education  
Dallas Center-Grimes Community School District:

We have audited the financial statements of the Dallas Center-Grimes Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated September 8, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Dallas Center-Grimes Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Dallas Center-Grimes Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Dallas Center-Grimes Community School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. Prior year reportable conditions have all been resolved except for item II-A-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Dallas Center-Grimes Community School District and other parties to whom Dallas Center-Grimes Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Dallas Center-Grimes Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Van Maanen & Associates, P.C.  
Certified Public Accountants

September 8, 2004



DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED June 30, 2004

**Part I: Summary of the Independent Auditor's Results**

- (a) An unqualified opinion was issued on the financial statements.
- (b) No reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.

**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE**

No matters were noted.

**REPORTABLE CONDITIONS**

II-A-04 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts and bank reconciliations were prepared by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

**Part III: Findings and Questioned Costs for Federal Awards:**

Not applicable since less than \$500,000 in federal awards.

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED June 30, 2004

**Part IV: Other Findings Related to Required Statutory Reporting:**

- IV-A-04 Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.
- IV-B-04 Certified Budget - Disbursements for the year ended June 30, 2004, did not exceed the certified budget amounts.
- IV-C-04 Questionable Disbursements - No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-D-04 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-E-04 Business Transactions - Business transactions between between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Timothy Hammer, Board Member General Manager of Granger Motors	Vehicles	\$41,495
Jim Sinclair, Brother to Superintendent, Sinclair Painting	Painting Services	5,833
Lakes Printing, Parents of Elementary principal Ann Bass	Printing Services	2,831
McDonald, Brown, and Fagen Husband of elementary principal Marsha Fagen	Legal Services	20
Lori Hammer, Wife of Board Member Timothy Hammer	Transportation Services	316

None of the transactions appear to be a conflict of interest and they appear to be in compliance with board policies.

Recommendation - The District may want to consult legal counsel to determine disposition of this matter.

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED June 30, 2004

Response - We will consider the need to consult with legal counsel.

Conclusion - Response accepted.

- IV-F-04 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- IV-G-04 Board Minutes - No transactions were noted requiring Board approval which had not been approved by the Board.
- IV-H-04 Certified Enrollment - No variances were noted in the basic enrollment data certified to the Department of Education.
- IV-I-04 Deposits and Investments - No instances of noncompliance were noted with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy.
- IV-J-04 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.